

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1580

Senator Burton (As amended 6/19/02)

Position:

No Position

Proponents:

CFT (Sponsor)

Opponents:

None known

SUMMARY

SB 1580 requires members of the Teachers' Retirement Board (Board) who currently are appointed by the Governor to represent active and retired California State Teachers' Retirement System (CalSTRS) members to be elected by the membership. It also replaces the current banking representative with an additional K-12 member.

LEGISLATIVE HISTORY

AB 311 (Honda—2000) would have expanded the Board from 12 to 15 members and required the three additional Board members to be elected by the CalSTRS members of the group to which they belong. The Governor vetoed this bill.

Previous bills would have required that the four "teacher" members of the Board be elected from their respective constituencies rather than appointed by the Governor. They include:

- AB 2768 (PER&SS—1998), vetoed
- AB 885 (Honda—1997), vetoed
- SB 168 (Hughes—1996), died
- SB 277 (Hughes—1994), vetoed
- AB 216 (Hughes—1991), died
- AB 2642 (Elder—1990), vetoed
- AB 3194 (Elder—1988), vetoed

SUMMARY OF CHANGES

The June 19th amendments eliminate the banking seat on the Board that is appointed by the Governor and replaces it with an elected seat that can be held by any K-12 CalSTRS member or participant. The amendments also expand who can sit on the other K-12 seats to include any CalSTRS member or participant who is not an administrator.

CURRENT PRACTICE

Under existing law, the CalSTRS Defined Benefit (DB) Program and the Cash Balance (CB) Benefit Program are administered by the 12-member Board. Two of the 12 members of the Board must be CalSTRS members who are classroom teachers in kindergarten or grades 1 through 12, and another member must be a retired member of the System. A fourth member must be a school board member or a community college trustee. The Governor appoints all four of these members for four-year terms from a list submitted by the Superintendent of Public Instruction.

Another member of the Board is required to be a community college instructor with expertise in business or economics or both, and is appointed by the Governor for a four-year term from a list submitted by the Board of Governors of the California Community Colleges.

One member of the Board is required to be an officer of a life insurance company and one member of the Board is required to be an officer of a bank or savings and loan institution. An eighth member of the Board represents the public. The Governor appoints these members to four-year terms, subject to confirmation by the Senate. The remaining four members, the Director of the Department of Finance, the Superintendent of Public Instruction, the Controller and the Treasurer, are on the Board by virtue of their state office.

There have been numerous attempts over the past 15 years to make some portion of the Board's membership elected by active and retired members of the System. AB 311, the last such bill, would have expanded the Board from 12 to 15 members and required the additional three members to be elected by the members of the group to which they belong. In his veto message for that bill, Governor Davis stated: "While I support the election of STRS Board members, as well as the removal of restrictions on my current appointment authority, I believe that no more than two elected members would be an appropriate composition of the board. The expansion of the Board to 15 members would add unnecessary cost and could make it difficult for the Board to operate efficiently."

DISCUSSION

Specifically, SB 1580:

- Requires the two existing K-12 seats now occupied by classroom teachers be occupied by K-12 or County Office of Education employees who are not administrators. These members would be elected by all K-12 and County Office of Education employees who are active members of the DB Program or active participants of the CB Benefit Program.
- Changes the appointed banking seat to an elected K-12 seat that may be occupied by an active member of the DB Program or active participant of the CB Benefit Program, including administrators, elected by all K-12 and County Office of Education employees who are active members of the DB Program or active participants of the CB Benefit Program.
- Requires the Community College seat occupied by an instructor to be elected by all Community College employees who are active members of the DB Program or active participants of the CB Benefit Program.
- Deletes the requirement that the community college member of the Board be an instructor with experience in business or economics.
- Requires the seat of the member of the Board who represents retired members of the System to be occupied by a retired member of the DB Program or participant in the CB Benefit Program that receives an annuity, and elected by all retired members of the DB Benefit Program, participants of the CB Benefit Program who receive an annuity, and members of the DB Program that receive a disability allowance.
- Specifies that a candidate who performs creditable service in a K-12 district or County Office of Education and a Community College must run in the seat that corresponds to the job in which he or she performed the most creditable service during the last school year.
- Specifies that an active member of the DB Program or active participant of the CB Benefit Program who performs creditable service in a K-12 district or County Office of Education and a Community College, must vote in the board election that corresponds to the job in which he or she performed the most creditable service during the last school year.
- Requires the terms of the five Board positions elected by members of the System to commence upon the end of the term of each respective appointed member as of January 1, 2003.
- Requires the Board to adopt regulations to govern the conduct of elections of Board members.

According to the sponsor, SB 1580 would democratize the Board and make it more responsive to the needs of the membership. Opponents of previous legislation have contended that such responsiveness is not necessarily good on a Board that controls the assets and benefit payments of a retirement system.

On February 22, 2001, Governor Davis appointed four people to the Board, including three of the five seats that SB 1580 would require be elected by CalSTRS members. These appointed members serve four-year terms on the Board. The bill requires the term of a member who is elected begin upon the expiration of the term in existence on January 1, 2003.

Currently, one of the K-12 Board members is serving in an expired term and the Board seat reserved for an officer of a bank or savings and loan is vacant. Assuming no appointment is made to these seats in 2002, the first CalSTRS Board election would occur sometime after January 2003. The three other seats would be elected in February 2005.

FISCAL IMPACT

Benefit Program Costs – None

Administrative Costs – CalSTRS would send Notice of Elections information to the membership, and nomination periods would be announced. In addition, guidelines on Statements of Qualifications would have to be prepared, and the candidate statements reviewed to ensure that guidelines are followed.

There would be additional costs to implement SB 1580, which would depend upon:

- Whether the elections are conducted solely by mail.
- If the elections were conducted by mail, whether pre-paid postage would be used.
- Whether ballots would be mailed to members First Class or Bulk Rate.
- Whether bar code ballots would be used, and if so, whether there would be a process to independently verify the signature of the voters.

Based on recently held elections at the California Public Employees' Retirement System (CalPERS) the estimated cost to test and print ballots, print outer envelopes, print candidate statements and return envelopes, postage, and counting and tabulating returned ballots, to conduct an election for two seats in 2003, would be approximately 83 cents per voter. Based on an active K-12 membership of 370,000, and assuming that the CalSTRS election would be conducted similarly to CalPERS, the total estimated of one election in 2003 would be \$307,000. If a second election was conducted in 2005 with an active membership of 585,000, total estimated costs would be \$520,000. Over a four-year election cycle, the cost of the election process would average \$223,000 annually.

BOARD POSITION

No Position. Historically, the Board does not take positions on legislation affecting its selection or composition.